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THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D.C. 20505

National Intelligence Council

3 December 1982

MEMORANDUM FOR: National Foreign Intelligence Board Principals

SUBJECT : Yugoslavia: An Approaching Crisis?

1. Yugoslavia is entering a difficult passage. Added to its endemic problems--national and ethnic tensions and rivalries, an inefficient economic system, etc.--are now the additional economic pressures stemming from circumstances beyond Belgrade's control and a lack of dynamic or savvy political leadership. Because the situation in Yugoslavia is potentially volatile and because of that country's importance to the US, the Director of Central Intelligence has directed the production of a Special National Intelligence Estimate, tentatively titled "Yugoslavia: An Approaching Crisis?" Our intended completion date is January 1983.

2. In accordance with our standard procedures, please designate your agency's representatives as soon as possible. The NIE chairman is Stanley Moskowitz, National Intelligence Officer for USSR-EE, and the principal drafter will be [redacted], EUR-EE. A draft Terms of Reference is attached. We plan to discuss it at a meeting in Room 7E62, CIA Headquarters, at 1000 hours, Friday, 10 December. Please have your representatives call their names and pass appropriate clearances to [redacted] by COB 8 December.

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Henry S. Rowen
Chairman

Attachment:
Terms of Reference

This memorandum is
classified SECRET [redacted]

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Directorate of
Intelligence

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Yugoslavia: The Strains Begin To Tell (U)

An Intelligence Assessment

Secret

EUR 82-10130
December 1982

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**Yugoslavia: The Strains
Begin To Tell**

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Key Judgments

*Information available
as of 12 November 1982
was used in this report.*

The Yugoslav political system may prove incapable of coping with the country's international financial difficulties, domestic economic problems, and growing ethnic tensions.

We believe that the country's collective leadership of both party and government is a key factor. Tito created and bequeathed this system to give all Yugoslavia's ethnic groups a say in national decisionmaking so that none would be tempted to break away. The mechanics of the structure—including rotational leaderships with brief tenures, unclear divisions of responsibility, and reliance on consensus—make the system indecisive.

Instead of becoming the central nervous system of the larger political-economic organism, the federal party leadership in Belgrade has lost initiative to regional and other federal power centers. Nowhere was the leadership's ineptitude more in evidence than at the party's Twelfth Congress in June—the first without Tito. The party emerged from its congress deeply divided both within its leadership and also between the leadership and the rank and file, not only over immediate policy issues, but also over the need for basic reform.

We believe that the Yugoslav system is likely to receive additional shocks in the months ahead—including perhaps a need to reschedule its debts—and that disagreements within the party will increase. The longer term risk is that the federal party will slip into an irreversible process of decay and become increasingly unable hold the Yugoslav state together.

Should these trends continue, it is conceivable that Yugoslav reformers could gain the backing to move their party toward more democratic practices and their country toward a more genuinely market-oriented economy. But, given Yugoslavia's economic problems and history of destructive competition among its constituent ethnonational groups, we believe it more likely that the nation will revert to a condition of endemic instability, perhaps held together only by the armed forces.

The stakes for the West in the Yugoslav drama are high. The Soviets would be tempted to take advantage of an unstable situation; a Soviet success could have potentially profound consequences for the Balkans and perhaps the balance of power in Europe.

This information is Confidential.

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